

HOUSE OF RUTH, INC.

AUDITED FINANCIAL STATEMENTS IN
ACCORDANCE WITH OMB CIRCULAR A-133
June 30, 2008 and 2007



House of Ruth

*Assisting Families Victimized
by Domestic Violence*

DATE RECEIVED:



AUDIT REVIEW #(s) 04850

Assigned To: Ryan

Date Reviewed: 7/20/09

Reviewer's Initials: JR

Date Review(s) Completed: 7/20/09

HOUSE OF RUTH, INC.

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June 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

House of Ruth, Inc.
P.O. Box 459
Claremont, CA 91711


We have audited the statements of financial position of House of Ruth, Inc. (a nonprofit organization), as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of House of Ruth, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information identified as supplementary information, including the Schedule of Expenditures of Federal Grants, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2008, on our consideration of House of Ruth, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


VICENTI, LLOYD & STUTZMAN LLP

August 21, 2008

HOUSE OF RUTH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 930,243	\$ 1,080,548
Investments, at fair value	-	102,007
Accounts receivable (note 2)	425,260	373,342
Prepaid expenses and deposits	<u>1,785</u>	<u>1,785</u>
Total current assets	<u>1,357,288</u>	<u>1,557,682</u>
Long-Term Assets:		
Quasi-endowment investments, at fair value (note 3)	362,002	368,002
Net property, plant, and equipment	<u>2,120,712</u>	<u>2,155,267</u>
Total long-term assets	<u>2,482,714</u>	<u>2,523,269</u>
 Total assets	 <u>\$ 3,840,002</u>	 <u>\$ 4,080,951</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 12,658	\$ 15,776
Accrued expenses	<u>100,662</u>	<u>87,944</u>
Total current liabilities	<u>113,320</u>	<u>103,720</u>
Long-Term Liabilities:		
Security liens (note 6)	<u>918,000</u>	<u>982,837</u>
Total liabilities	<u>1,031,320</u>	<u>1,086,557</u>
 NET ASSETS		
Unrestricted:		
General unrestricted net assets	1,305,970	1,521,964
Net assets related to capital assets	1,202,712	1,172,430
Designated for quasi-endowment	<u>300,000</u>	<u>300,000</u>
Total net assets	<u>2,808,682</u>	<u>2,994,394</u>
 Total liabilities and net assets	 <u>\$ 3,840,002</u>	 <u>\$ 4,080,951</u>

The accompanying notes are an integral part of the financial statements.

HOUSE OF RUTH, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUES		
Contributions	\$ 200,111	\$ 436,201
Foundations	347,741	282,087
Federal grants	1,291,914	1,375,132
State and local government grants	521,285	418,074
United Way	43,136	55,728
Events (net of direct expenses)	69,577	103,327
In-kind contributions	38,267	17,814
Total public support and revenues	<u>2,512,031</u>	<u>2,688,363</u>
OTHER REVENUES		
Interest income	36,132	29,567
Investment return	(10,269)	63,198
Other revenues	74,644	24,273
Total other revenues	<u>100,507</u>	<u>117,038</u>
Total public support and revenues	<u>2,612,538</u>	<u>2,805,401</u>
EXPENSES		
Program expenses	2,135,958	2,024,929
General and administrative	425,329	407,277
Fundraising	236,963	214,040
Total expenses	<u>2,798,250</u>	<u>2,646,246</u>
CHANGE IN UNRESTRICTED NET ASSETS	(185,712)	159,155
NET ASSETS - BEGINNING OF YEAR	<u>2,994,394</u>	<u>2,835,239</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,808,682</u></u>	<u><u>\$ 2,994,394</u></u>

The accompanying notes are an integral part of the financial statements.

HOUSE OF RUTH, INC.

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (185,712)	\$ 159,155
Adjustments to reconcile increase in net assets to net cash provided (used) by operations:		
Depreciation	72,357	111,653
Net unrealized (gains) losses on investments	9,459	(56,081)
Net realized (gains) losses on investments	5,318	(418)
(Increase) Decrease in operating assets:		
Accounts receivable	(51,918)	113,903
Pledges receivable	-	200,000
(Decrease) Increase in operating liabilities:		
Accounts payable	(3,118)	10,312
Accrued liabilities	12,718	(19,393)
Deferred revenue		(3,192)
Security liens	(64,837)	-
Net cash provided (used) by operating activities	<u>(205,733)</u>	<u>515,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(37,802)	(8,014)
Proceeds from sale of investments	106,826	3,754
Purchase of investments	<u>(13,596)</u>	<u>(210,453)</u>
Net cash provided (used) by investing activities	<u>55,428</u>	<u>(214,713)</u>
 Net increase (decrease) in cash and cash equivalents	 (150,305)	 301,226
Cash and cash equivalents at beginning of year	<u>1,080,548</u>	<u>779,322</u>
Cash and cash equivalents at end of year	<u>\$ 930,243</u>	<u>\$ 1,080,548</u>

The accompanying notes are an integral part of the financial statements.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

House of Ruth, Inc. (Organization) provides services to women and children who have been victims of domestic violence and children exposed to violence. Services provided include shelter, counseling, crisis hotline, community education and violence prevention programs. The Organization is supported primarily through donor contributions, government grants and the United Way.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of June 30, 2008 or 2007.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2008 or 2007.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Supplies, Property and Services

Contributed supplies and property given to the Organization over \$10,000, annually, are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. The Organization recorded donated goods for shelter use in the amount of \$38,267 and \$17,814 during the years ended June 30, 2008 and 2007, respectively. No amounts have been reflected in the financial statements for donated services as the Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. For contributions whose restrictions are met within one year, the Organization has elected to classify those contributions as unrestricted.

NOTE 2 – ACCOUNTS RECEIVABLE:

Accounts receivable consists of grant funds due from governmental agencies and a \$50,000 pledge receivable due within the next fiscal year. No provision for uncollectible accounts was recorded as the balances are all considered collectible.

NOTE 3 – INVESTMENTS:

Investments are stated at fair value and consist of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Investments:				
Mutual funds	\$ -	\$ -	\$ 904	\$ 1,115
Corporate stocks and bonds funds	-	-	93,916	100,892
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,820</u>	<u>\$102,007</u>
Quasi-endowment investments:				
California Community Foundation*	<u>\$323,879</u>	<u>\$362,002</u>	<u>\$320,420</u>	<u>\$368,002</u>
Totals	<u>\$323,879</u>	<u>\$362,002</u>	<u>\$320,420</u>	<u>\$368,002</u>

* Endowment held by the California Community Foundation (consisting of mutual funds) was established to provide future funding for House of Ruth, Inc.'s services to battered women and children. An annual distribution is made in accordance with House of Ruth, Inc.'s spending policy, which specifies a draw of 5.5% of the average ending balance of the last twelve trailing quarters. In the event of extraordinary circumstances, House of Ruth, Inc. may, by unanimous resolution of the Board, request a distribution from the principal of a maximum of 50% in any six month period, up to 100% of the principal.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS June 30, 2008 and 2007

NOTE 3 – INVESTMENTS: (continued)

Investment return is composed of the following:

	<u>2008</u>	<u>2007</u>
Net realized gains (losses), interest and dividends	\$ (810)	\$ 7,117
Net unrealized gains (losses)	<u>(9,459)</u>	<u>56,081</u>
Totals	<u>\$ (10,269)</u>	<u>\$ 63,198</u>

NOTE 4 – CONCENTRATION OF CREDIT RISKS:

The Organization has the occasional need to maintain a cash balance with a few financial institutions in excess of the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). The Organization uninsured amount at June 30, 2008 and June 30, 2007 was \$0 and \$49,957, respectively.

NOTE 5 – LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION:

Land, buildings and equipment are stated at cost. Depreciation of buildings, furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets. At June 30, 2008 and 2007 the costs and accumulated depreciations were as follows:

	<u>2008</u>	<u>2007</u>
Land & Building	\$2,514,884	\$2,514,884
Accumulated depreciation	<u>(436,138)</u>	<u>(383,190)</u>
Net	<u>2,078,746</u>	<u>2,131,694</u>
Furniture & Equipment	394,085	423,411
Accumulated depreciation	<u>(352,119)</u>	<u>(399,838)</u>
Net	<u>41,966</u>	<u>23,573</u>
Vehicle	25,005	25,005
Accumulated depreciation	<u>(25,005)</u>	<u>(25,005)</u>
Net	<u>-</u>	<u>-</u>
Total Net Book Value	<u>\$2,120,712</u>	<u>\$2,155,267</u>

Depreciation expense for the years ended June 30, 2008 and 2007 was \$72,357 and \$111,653, respectively.

HOUSE OF RUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 6 – LONG TERM DEBT:

Security Liens

Security lien by Housing Authority of the County of Los Angeles for financing of housing units. Promissory note dated February 17, 2000 secured by real property. Payments began March 15, 2001 and are limited to 50% of the residual receipts from housing units. Management does not expect there to be payments required as there are no receipts from the housing units. Interest is charged at 3% per annum, and the loan matures on March 15, 2030. Loan covenants are that the Organization must use the housing units for the purpose of providing transitional housing for victims of domestic violence. The balance as of June 30, 2008 and 2007 was \$318,000.

Security lien by The Federal Home Loan Bank of San Francisco for financing affordable housing. Project was awarded in connection with PFF Bank and Trust to finance the rehabilitation of real property purchased in 1999. The Organization agrees to use the property to provide affordable housing for a period of 15 years. Repayment of principal and interest is required only if property is not used in compliance with terms of Affordable Housing Program Agreement. The balance as of June 30, 2008 and 2007 was \$600,000.

Security lien by Department of Housing & Community Development for financing the cost of shelter equipment and improvements was awarded to the Organization in 2002. The Organization agrees to use the property to provide homeless shelter services for a period of 5 years. **The lien was forgiven in August 2007.** Repayment of principal and interest is required only if property is not used in compliance with terms of agreement. The balance as of June 30, 2008 and 2007 was \$0 and \$64,837, respectively.

Total security liens as of June 30, 2008	<u>\$918,000</u>
Total security liens as of June 30, 2007	<u>\$982,837</u>

NOTE 7 – LINE OF CREDIT:

The Organization maintains a \$300,000 business line of credit with PFF Bank and Trust to assist with expenses of operation in anticipation of receipt of grants and contributions. The line has a variable rate at the bank's trust base rate plus one percent. As of June 30, 2008 and 2007 there was no outstanding balance.

HOUSE OF RUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 8 – RETIREMENT PLAN:

The Organization offers a tax deferred annuity plan under Internal Revenue Code Section 403(b). This voluntary plan allows participants to contribute a percentage of salary to be placed in the individual's specific account. The Organization also offers a defined contribution plan under Internal Revenue Code Section 401(a). This plan provides for contributions by the Organization for eligible employees. The Organization has no liability under the plan. Retirement expense for the years ended June 30, 2008 and 2007 was \$32,001 and \$30,379, respectively.

HOUSE OF RUTH, INC.

SCHEDULE OF STATE AND LOCAL GOVERNMENT GRANTS

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
City of Montclair	\$ 1,525	\$ 2,025
City of Claremont	4,400	4,400
Governor's Office of Emergency Services Services for Battered Women and their Children	32,118	32,118
Los Angeles County Domestic Violence	97,502	65,000
San Bernardino County Domestic Violence	66,213	64,285
State of California Department of Housing and Community Development Emergency Housing and Assistance Program	98,198	28,917
State of California Department of Health Services Maternal and Child Health Branch Battered Women Shelter	<u>221,329</u>	<u>221,329</u>
Total State and Local Awards	<u>\$ 521,285</u>	<u>\$ 418,074</u>

See independent auditors' report.

HOUSE OF RUTH, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL GRANTS
For the Years Ended June 30, 2008 and 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2008 Federal Expenditures	2007 Federal Expenditures
<i>Governor's Office of Emergency Services</i>				
Criminal Justice Programs Division				
Services for Battered Women and their Children				
DV 06201256 - Violence Against Women Formula Grants	16.588	N/A	\$ 5,195	\$ 5,195
DV 06201256 - Crime Victim Assistance	16.575	N/A	98,521	98,521
DV 06201256 - Family Violence Prevention & Services	93.671	N/A	64,237	64,237
Services for Abused Children				
AT 04011256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	148,560	20,262
AT 05021256 - Child Abuse Treatment (CHAT 2) Program	16.575	N/A	3,956	78,280
AT 06031256 - Child Abuse Treatment (CHAT 3) Program	16.575	N/A	46,588	157,701
<i>Total Governor's Office of Emergency Services</i>			<u>367,057</u>	<u>424,196</u>
<i>Office of Justice</i>				
OVW- Transitional Housing	16.736	N/A	64,535	96,751
<i>U.S. Department of Housing and Urban Development</i>				
Community Development Block Grants				
City of Chino	14.218	N/A	4,400	4,400
City of Chino Hills	14.218	N/A	4,000	4,000
City of Pomona	14.218	N/A	10,000	16,160
City of Rancho Cucamonga	14.218	N/A	7,600	7,600
County of San Bernardino	14.218	N/A	10,000	10,000
Emergency Shelter Grants				
City of Pomona	14.231	N/A	30,400	30,000
City of Ontario	14.231	N/A	18,000	18,000
Supportive Housing Program				
Los Angeles Homeless Services Authority HUD 1	14.235	N/A	72,060	181,439
Los Angeles Homeless Services Authority HUD 2	14.235	N/A	187,031	61,911
<i>Total U.S. Department of Housing and Urban Development</i>			<u>343,491</u>	<u>333,510</u>
<i>U.S. Department of Homeland Security</i>				
Emergency Food and Shelter Program				
Los Angeles County	97.024	N/A	29,900	26,214
San Bernardino County	97.024	N/A	10,000	-
<i>Total U.S. Department of Homeland Security</i>			<u>39,900</u>	<u>26,214</u>
<i>U.S. Department of Health and Human Services</i>				
Healthy Marriage Promotion and Responsible Fatherhood Grants				
The East Los Angeles Community Union (TELACU)				
90FE0056 - Healthy Marriage Demonstration Grant - Priority Area #2	93.086	N/A	10,000	8,000
Temporary Assistance to Needy Families (TANF)				
CalWORKs - Los Angeles County	93.558	N/A	279,000	298,530
CalWORKs - San Bernardino County	93.558	N/A	187,931	187,931
<i>Total U.S. Department of Health and Human Services</i>			<u>476,931</u>	<u>494,461</u>
Total Federal Grants			<u>\$ 1,291,914</u>	<u>\$ 1,375,132</u>

N/A - Not applicable and/or not available.

See independent auditors' report.

HOUSE OF RUTH, INC.

SCHEDULE OF EXPENDITURES BY COST CATEGORY - OES GRANTS
For the Years Ended June 30, 2008 and 2007

<u>Grant Identification Number</u>	<u>Federal</u>	<u>Local Match</u>	<u>Total Expenditures</u>
Fiscal 2008:			
DV 07211256			
Personal Services	\$ 137,277	\$ 40,690	\$ 177,967
Operating Expenses	30,676	-	30,676
	<u>\$ 167,953</u>	<u>\$ 40,690</u>	<u>\$ 208,643</u>
AT 05021256			
Personal Services	\$ 3,000	\$ 750	\$ 3,750
Operating Expenses	4,880	197	5,077
Equipment	(3,924)	-	(3,924)
	<u>\$ 3,956</u>	<u>\$ 947</u>	<u>\$ 4,903</u>
AT 06031256			
Personal Services	\$ 37,665	\$ 11,778	\$ 49,443
Operating Expenses	8,923	6,280	15,203
	<u>\$ 46,588</u>	<u>\$ 18,058</u>	<u>\$ 64,646</u>
AT 07041256			
Personal Services	\$ 131,449	\$ 32,862	\$ 164,311
Operating Expenses	17,111	8,904	26,015
	<u>\$ 148,560</u>	<u>\$ 41,766</u>	<u>\$ 190,326</u>
Fiscal 2007:			
DV 06201256			
Personal Services	\$ 157,844	\$ 40,690	\$ 198,534
Operating Expenses	10,109	-	10,109
	<u>\$ 167,953</u>	<u>\$ 40,690</u>	<u>\$ 208,643</u>
AT 04011256			
Personal Services	\$ 17,548	\$ 6,964	\$ 24,512
Operating Expenses	2,714	-	2,714
	<u>\$ 20,262</u>	<u>\$ 6,964</u>	<u>\$ 27,226</u>
AT 05021256			
Personal Services	\$ 40,057	\$ 10,014	\$ 50,071
Operating Expenses	26,316	6,579	32,895
Equipment	11,907	2,977	14,884
	<u>\$ 78,280</u>	<u>\$ 19,570</u>	<u>\$ 97,850</u>
AT 06031256			
Personal Services	\$ 127,769	\$ 25,165	\$ 152,934
Operating Expenses	29,932	1,072	31,004
	<u>\$ 157,701</u>	<u>\$ 26,237</u>	<u>\$ 183,938</u>

See independent auditors' report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

House of Ruth, Inc.
P.O. Box 459
Claremont, CA 91711

We have audited the financial statements of House of Ruth, Inc. as of and for the year ended June 30, 2008 and have issued our report thereon dated August 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the House of Ruth, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the House of Ruth, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the House of Ruth, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether House of Ruth, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

August 21, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

House of Ruth, Inc.
P.O. Box 459
Claremont, CA 91711

Compliance

We have audited the compliance of House of Ruth, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. House of Ruth, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of House of Ruth, Inc.'s management. Our responsibility is to express an opinion on House of Ruth, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about House of Ruth, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of House of Ruth, Inc.'s compliance with those requirements.

In our opinion, House of Ruth, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Internal Control Over Compliance

The management of House of Ruth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered House of Ruth, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the House of Ruth, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect House of Ruth, Inc.'s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by House of Ruth, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by House of Ruth, Inc.'s internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in House of Ruth, Inc.'s internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

August 21, 2008

**HOUSE OF RUTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

AUDITOR SUMMARY

June 30, 2008

Section I : Summary of Auditors' Results

Financial Statements

Type of auditor's report issued August 21, 2008: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? *No*

Significant deficiencies identified that are
not considered to be material weakness(es)? *No*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major programs:

Material weakness(es) identified? *No*

Significant deficiencies identified that are
not considered to be material weakness(es)? *No*

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of (Circular A-133)? *No*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.235	Supportive Housing Program
93.558	Temporary Assistance to Needy Families

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? *Yes*

HOUSE OF RUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

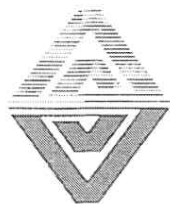
June 30, 2008

Sections II & III: Financial Statement and Federal Award Findings and Questioned Costs

There were no findings related to the financial statements nor were there any findings or questioned costs related to federal awards.

HOUSE OF RUTH, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008

There were no prior year findings.



August 21, 2008

To the Audit Committee and
Senior Management of
House of Ruth, Inc.
PO Box 459
Claremont, CA 91711

In planning and performing our audit of the financial statements of House of Ruth, Inc. (the Organization) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operations that we consider to be material weaknesses as defined above.

The management and staff of House of Ruth, Inc. were very cooperative in assisting us during the interim and year end field work as well as the wrap up and conclusion of the audit. We appreciate the opportunity to serve as your independent auditing firm, and we look forward to a long and mutually beneficial relationship.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee, management, and others within the organization and is not intended to be and should not be used by any one other than these specified parties.

Sincerely,


VICENTI, LLOYD & STUTZMAN LLP